

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 /078 W

----- 084554

R 161720Z DEC 74

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 4047

INFO AMCONSUL CASABLANCA

C O N F I D E N T I A L RABAT 6050

FOR NEA/AFN MONTVILLE

E.O. 11652: GDS

TAGS: EINV ENRG EIN MO

SUBJECT: DECEMBER 13-14 OIL MOROCCANIZATION TALKS

REF: RABAT 5575; CASABLANCA 1023

1. SUMMARY: TALKS TOOK PLACE IN SIGNIFICANTLY IMPROVED ATMOSPHERE. FINAL AGREEMENT NOT REACHED BY ANY OF THREE US COMPANIES, BUT SO CLOSE FOR MOBIL THAT ACCORD EXPECTED WITHIN FEW DAYS. PROGRESS SUCH THAT ESSO REP HAS ALSO EXPRESSED JUDGMENT THAT ACCORD NOW LIKELY. AMONG NON-US COMPANIES, SHELL ADOPTED HARD LINE, THREATENING CLOSE OPERATIONS WITHIN NINETY DAYS, LEAVING US COMPANIES WEARING WHITE HATS. END SUMMARY.

2. MOBIL AND ESSO REPS REPORTED SIGNIFICANTLY IMPROVED ATMOSPHERE AT DECEMBER 13-14 NEGOTIATING SESSIONS. WHILE WE HAVE FEW DETAILS ESSO TALKS, ESSO REP INFORMED CONGEN CASABLANCA HE WOULD NOW BET ON EVENTUAL SETTLEMENT. MONEY DIFFERENCE OF ABOUT MAGNITUDE MOBIL DIFFERENCE PRIOR THIS ROUND. MANAGEMENT PROBLEM SOMEWHAT TOUGHER BECAUSE
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PRESENT ESSO MANAGER NON-MOROCCAN. UNDERSTAND GOM HAS INSISTED

ON GOM-SELECTED MOROCCAN PRESIDENT AT ONCE AND TWO YEAR TRANSITION TO INSTALL MOROCCAN MANAGER.

3. MOBIL REPS CALLED ON AMBASSADOR SATURDAY P.M. FOR EXTENSIVE RUNDOWN. BOOK VALUE NOW AGREED AT 21 MILLION DIRHAMS (UP 3 FOR GOM, DOWN 1 FOR MOBIL). MANAGEMENT ALSO AGREED. CURRENT DIRECTOR GENERAL WILL REMAIN; PRESIDENT WILL BE NAMED BY GOM BUT NOT RPT NOT FROM AMONG SNPP COHORTS. UNDERSTOOD WILL BE RETIRED MINISTER OR OTHER SENIOR PERSONALITY ACCEPTABLE TO MOBIL. REMAINING ISSUES TO BE SETTLED ARE PAYMENT FORMULA AND PARTITION 1974 PROFITS. GOM WANTS 50/50 SHARE OF PROFITS SINCE JANUARY 1, 1974 AND PROPOSES FOLLOWING PAYMENTS FORMULA: SNPP BUYS 1/3 SHARE OF MOBIL MAROC FOR 7 MILLION DIRHAMS. CAPITALIZATION THEN INCREASED FROM 21 TO 28 MILLION DIRHAMS. SNPP PUTS UP THIS NEW 7 MILLION. OVERCAPITALIZED 7 MILLION SURPLUS WOULD THEN BE SPLIT 50/50 AMONG EQUITY HOLDERS (SNPP AND MOBIL). MOBIL THUS GETS 7 PLUS 3.5 EQUALS 10.5 MILLION DIRHAMS EQUALS 50 PERCENT OF 21 MILLION.

4. AMBASSADOR TOLD THIS FORMULA CONSIDERED BY MOBIL PARIS OFFICE, BUT NOT INCLUDED FINAL NEGOTIATING INSTRUCTIONS. PARIS REP DUNN OF OPINION THAT IT WILL PROBABLY BE ACCEPTABLE IF COUPLED WITH AGREEMENT BY GOM ON APRIL 1 (DATE OF DAHIR) AS CALCULATIONS BASE FOR SHARING 1974 PROFITS. (THIS WOULD GIVE GOM 3/8 SHARE RATHER THAN 1/2 DEMANDED). THIS COUNTER OFFER EXPECTED TO BE PRESENTED GOM EARLY THIS WEEK.

5. BARRING ELEMENTS WE UNAWARE OF, PROSPECTS FOR SETTLEMENT APPEAR MORE THAN GOOD. DISTANCE BETWEEN MOBIL AND SNPP SEEMS TO REDUCE IN MONEY TERMS TO 100 THOUSAND DOLLARS (DIFFERENCE BETWEEN 3/8 AND 1/2 CURRENT YEAR'S PROFITS). WHILE GHISSASSI GAVE CONSIDERABLE GROUND AS RESULT OUR INDIRECT EFFORTS, COMPANY REPS ALSO APPEAR TO HAVE LISTENED TO EMBASSY ADVICE. FOR MOMENT, WE APPEAR HONEST BROKERS RATHER THAN MEDDLERS. QUICK WASHINGTON RESOLUTION TANGERINE SHIPMENT PROBLEM HAS NOT HURT AT ALL (RABAT 4019). FINALLY, NON-US MAJOR, SHELL, TOOK UNEXPECTEDLY HARD LINE, CONCLUDING WEEKEND TALKS WITH ULTIMATUM IT WILL WITHDRAW TRADE MARK WITHIN NINETY DAYS IF ITS TERMS NOT MET. IT FEELS GOOD TO WEAR A WHITE HAT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974RABAT06050
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740366-0706
From: RABAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741232/aaaabbce.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 RABAT 5575, 74 CASABLANCA 1023
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2002 by boyleja>; APPROVED <24 MAR 2003 by ElyME>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DECEMBER 13-14 OIL MOROCCANIZATION TALKS
TAGS: EINV, ENRG, EIND, MO, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005